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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Access Charge Reform	)	CC Docket No. 96-262
	)	
Price Cap Performance review for Local Exchange Carriers	)	CC Docket No. 94-1
	)	
Transport Rate Structure and Pricing	)	CC Docket No. 91-213
	)	
End User Common Line Charges	)	CC Docket No. 95-72

COMMENTS OF

THE SOUTHERN NEW ENGLAND TELEPHONE COMPANY

The Southern New England Telephone Company (SNET) hereby files these Comments responding to access charge reform issues raised in the Federal Communications Commission's (Commission) Further Notice of Proposed Rulemaking released May 16, 1997 (FNPRM). In these Comments, SNET addresses the two Commission proposals and recommends that: (1) because the special access market in Connecticut is competitive, permitting the application of a PICC on special access services will not provide a form of relief that can be utilized; and (2) the Commission adopt the reasonable proposal of the United States Telephone Association (USTA) to effect changes in the allocation of price cap LECs' interstate costs between regulated interstate services and nonregulated billing and collection activities.

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In addition to its Comments filed today, SNET supports the comments filed by USTA in this proceeding.

I. INTRODUCTION

In its FNPRM, the Commission proposes to allow incumbent LECs to assess a PICC on special access lines to recover revenues for the common line basket. The Commission asserts that, due to the Commission's changes to charges incurred by multi-line businesses, it may be cost effective for some multi-line businesses currently using switched access to instead purchase special access lines. The Commission points out that this would cause a decrease in projected LEC revenue from multi-line SLCs, and as a result, PICCs for all remaining switched access lines would necessarily increase to make up for the lost revenue. In an effort to prevent this migration from the public switched network to special access, the Commission proposes that LECs be allowed to impose a PICC on special access lines as well.

In addition, the Commission proposes changes in the allocation of certain price cap LECs' interstate costs between regulated interstate services and nonregulated billing and collection activities. Specifically, the Commission tentatively concludes that price cap LECs' general purpose computer costs attributable to billing and collection should not be recovered through regulated access charges. Further, the Commission proposes and seeks comment on two options for reassigning these costs to the nonregulated billing and collection category.

II. PRICE CAP LECs SHOULD NOT BE REQUIRED TO ASSESS A PICC ON SPECIAL ACCESS LINES.

The Commission should not require price cap LECs to assess a PICC on special access lines for several reasons. First, if a PICC were imposed on special access lines, the costs recovered by such a PICC would not be related to the costs of provisioning special access services. This would effectively mean that special access services would be subsidizing other services. The Commission has stated repeatedly that one of the major goals of access reform is to remove subsidies from access charges, consistent with the intent of the Act. Assessing a PICC on special access would only create another subsidy and would, therefore, be contrary to the Commission's stated goals and objectives.

Second, the Commission should not assess an additional charge on certain services (in this case, special access) in an attempt to use regulation to prevent businesses currently using switched access from purchasing special access lines. In a competitive telecommunications market, customers determine the network configurations that are most economically efficient and meet their needs. If the public switched network is not the best alternative for a customer's given need, the market will drive the development of prudent solutions. The Commission's action will impose an uneconomic variable, contrary to the goals of the marketplace.

The special access market is competitive and SNET anticipates that, in its forthcoming Pricing Flexibility Order, the Commission will allow LECs, upon a competitive showing, to remove these services from regulation. In fact, Competitive Access Providers (CAPs) have been providing special access services to large business customers for years and can offer these customers bulk discounts and specialized services as direct substitutes and replacements for LEC special access. Regulation of special access services is no longer necessary to protect consumers or to foster competition. In accordance with the goal of regulatory forbearance embodied in the Act, therefore, continued regulation of special access is no longer necessary.

Further, applying a PICC to a competitive service such as special access would effectively grant incumbent LECs a form of relief that they could not utilize. If incumbent LECs were to raise special access rates in such a competitive environment, they would be placed at a competitive disadvantage.

Finally, the Commission should not require LECs to assess a PICC on special access lines because the Commission has already determined that the PICC and other access charges may not be applied to other substitutes for switched access services, such as unbundled elements.

In any event, if the Commission allows, but does not require, LECs to impose a PICC on special access lines, those LECs that choose not to assess a PICC on special access lines should not be precluded from recovering its common line revenue requirements from other per minute charges.

III. SNET SUPPORTS USTA'S PROPOSAL REGARDING THE ALLOCATION OF GENERAL PURPOSE COMPUTER COSTS ATTRIBUTABLE TO BILLING AND COLLECTION.

SNET agrees with USTA that changes in the current Part 69 allocation methodology are not required to address the issue of reassigning general purpose computer costs attributable to billing and collection. SNET supports the alternative proposed by USTA as a reasonable methodology for allocating these costs. Specifically, USTA proposes that the general purpose computer net investment in Account 2124 to net investment in Account 2110 be identified using available accounting data. The interstate general purpose computer investment amount would be allocated using the "Big Three Expense" allocator, modified to exclude expenses which are apportioned on allocators that include GSF investment. The remainder of Account 2110 would be allocated to all other elements using the current investment allocator. SNET agrees with USTA that this proposal is a reasonable alternative to the options proposed by the Commission in its FNPRM. USTA's proposal utilizes currently available data and does not require significant changes to other access elements.

Alternatively, the Commission should adopt Option II, rather than Option I, as a means of reassigning price cap LECs' general purpose computer costs attributable to billing and collection. Option I would require price cap LECs to conduct studies to determine the portion of Account 2124 investment that it attributes to the billing and collection category. These studies would then be subject to independent audit requirements. Also, the independent auditors would be required to examine the design and execution of these studies and to report their conclusions to the Commission regarding the validity of the studies.

In addition, LECs would be required to add a new section to their cost allocation manuals (CAM) that describes (1) the way LECs provide interstate billing and collection services, and (2) the study it used to determine the portion of Account 2124 investment attributed to the billing and collection category. The extensive requirements set forth by the Commission in Option I would place significant additional burdens on both the Commission and the LECs.

Alternatively, Option II would require the Commission to modify Section 69.307 of its rules to mirror Section 69.409 (relating to Corporate Operating Expense). This will require the interstate portion of Account 2110 be apportioned among the billing and collection category and all access elements in accordance with the Big Three expense factors as defined in Section 69.2(f). Option II is less burdensome than Option I and, therefore, is the more feasible of the Commission's proposals.

VI. CONCLUSION

SNET urges the Commission not to require LECs to assess a PICC on special access lines to recover revenues for the common line basket. This would result in the subsidization of other services by special access services and is, therefore, unacceptable. Such an assessment is also contrary to the overall goal of regulatory forbearance embodied in the Act. Furthermore, should the Commission determine that LECs be permitted to assess a PICC on special access services, this will constitute a form of revenue recovery that can not be utilized, as special access services are competitive in Connecticut. SNET also urges the Commission to adopt USTA's proposal for purposes of reassigning LECs' general purpose computer costs attributable to billing and collection. In the alternative, the Commission should adopt Option II, as proposed in the Commission's FNPRM. Option II would impose fewer administrative burdens than Option I and is, therefore, the more feasible of the Commission's proposals.

Respectfully submitted,

THE SOUTHERN NEW ENGLAND
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